

Message Text

UNCLASSIFIED

PAGE 01 STATE 146090 TOSEC 070022
ORIGIN PA-02

INFO OCT-01 PRS-01 SS-15 ISO-00 SSO-00 CCO-00 NSC-05
NSCE-00 /024 R

DRAFTED BY PA/M:REBUTLER:REB
APPROVED BY PA/M:CWFREEMAN,JR.
S/S -O:S.STEINER
DESIRED DISTRIBUTION
PA, S/S, S/PRS

-----061060 231719Z /53
O 231700Z JUN 77 ZFF4
FM SECSTATE WASHDC
TO USDEL SECRETARY IMMEDIATE

UNCLAS STATE 146090 TOSEC 070022

E.O. 11652: N/A

TAGS: SOPN, OVIP (VANCE)

SUBJECT: PRESS MATERIAL

1. HERewith FULL TEXT RICHARD F. JANSSEN BY-LINER WALL STREET JOURNAL JUNE 23 HEADED "OECD TALKS OPENING TODAY APT TO FOCUS ON SMALLER NATIONS' TRADE, DEBT WOES.

2. PARIS--WHEN SENIOR OFFICIALS OF INDUSTRIAL COUNTRIES MEET HERE TODAY, THE BIGGEST WORRIES ARE APT TO BE ABOUT THE NON-COMMUNIST WORLD'S SMALLER ECONOMIES.

3. THAT ISN'T USUALLY THE CASE AT THE 24-MEMBER ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT, BECAUSE SO MUCH DEPENDS ON TRENDS IN THE U.S., WEST GERMANY, JAPAN AND A HANDFUL OF OTHER HEFTY ECONOMIES.

4. BUT BEHIND THE SCENES AT LEAST, THE ANNUAL MINIS-
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 146090 TOSEC 070022

TERIAL MEETING, AT WHICH TREASURY SECRETARY MICHAEL BLUMENTHAL AND SECRETARY OF STATE CYRUS VANCE WILL REPRESENT THE U.S., IS EXPECTED TO FOCUS ON THE TRADE AND FOREIGN DEBT PROBLEMS PRESSING IN ON SMALLER MEMBERS RANGING FROM SWEDEN TO SPAIN.

5. "THEY'RE WHERE THE STORY IS," WORRIES A SWISS-BASED

INTERNATIONAL ECONOMIST. MAINLY, THE STATISTICAL SIGNAL TO WHICH DEEPLY CONCERNED AIDES WILL DRAW TOP-LEVEL ATTENTION IS THE UNEVEN BURDEN OF CURRENT INTERNATIONAL PAYMENTS ACCOUNT DEFICITS. OF THE \$30 BILLION ESTIMATED RED INK ON TRADE IN GOODS AND SERVICES EXPECTED FOR THE WHOLE OECD AREA THIS YEAR, AT LEAST \$20 BILLION SEEMS TO BE BUNCHING IN THE SMALLER COUNTRIES.

6. COMPARED WITH THE CURRENT ACCOUNT DEFICIT OF OVER \$10 BILLION PREDICTED FOR THE U.S. THIS YEAR, THOSE BEING RACKED UP BY SMALLER COUNTRIES AREN'T DRAMATIC, AVERAGING OUT AT LITTLE MORE THAN \$1 BILLION FOR EACH OF THE 17 SMALLER MEMBERS. BUT IN PROPORTION TO THEIR ECONOMIC SIZE, SUCH SUMS AS \$4 BILLION FOR SPAIN, \$2.5 BILLION FOR TURKEY, \$2 BILLION FOR SWEDEN, AND \$1 BILLION EACH FOR GREECE, PORTUGAL AND NEW ZEALAND ARE ENOUGH TO CAUSE SEVERE ECONOMIC MANAGEMENT PROBLEMS, OECD ANALYSTS SAY.

7. SUCH DEFICITS INCREASE THEIR NEED FOR FOREIGN CREDIT AND HEIGHTEN PRESSURE ON THEM TO DEVALUE THEIR CURRENCIES IN HOPE OF GIVING THEIR EXPORTS A COMPETITIVE PRICE EDGE. THE DEFICITS ALSO FORCE GOVERNMENTS TO TIGHTEN BUDGETARY BELTS AGAINST INFLATION. BUT WITH UNEMPLOYMENT ALREADY HIGH, SLOWER GROWTH RAISES THE RISKS OF PROTECTIONIST CURBS AGAINST IMPORTS, ANALYSTS FRET.
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 146090 TOSEC 070022

8. INAUSPICIOUSLY ON THAT SCORE, THE DEFICITS ALSO ARE CAUSING POLITICAL STRAINS BETWEEN THE OECD'S LARGE AND SMALL MEMBERS. THE LEADING ECONOMIC POWERS HAVE "HELPED THEMSELVES TO THE UPSWING IN WORLD TRADE" AND IT IS "POOR CONSOLATION" THAT SWEDEN ISN'T ALONE AMONG THE SMALLER ONES SUFFERING REDUCED MARKET SHARES, SWEDEN'S GOTABANKEN GRUMBLED RECENTLY.

9. THE U.S. IS A PARTICULAR TARGET OF SMALLER-COUNTRY IRE BECAUSE IT IS THE ONLY MAJOR HOLDOUT AGAINST THE OECD'S \$25 BILLION "SAFETY NET" PLAN FOR LAST-RESORT FINANCING OF SUCH DEFICITS. IT WOULD BE "WONDERFUL" TO HAVE THE PLAN WORKING NOW, SAYS A EUROPEAN CENTRAL BANKER. BUT HE COMPLAINS THAT CARTER ADMINISTRATION BACKING IS UNLIKELY BECAUSE IT WAS A KISSINGER-ERA INITIATIVE, REGIONAL RATHER THAN GLOBAL IN SCOPE, AND BECAUSE WASHINGTON -- WRONGLY, IN HIS VIEW -- THINKS THE OECD WOULDN'T BE AS TOUGH A LENDER AS THE 130-COUNTRY INTERNATIONAL MONETARY FUND.

10. AUTHORITIES DON'T SEE THE DEFICITS AS EQUALLY

SERIOUS FOR ALL THE SMALLER COUNTRIES, TO BE SURE. IN TERMS OF ABILITY TO FINANCE THEM ON THE MARKET, "THERE'S A WORLD OF DIFFERENCE BETWEEN SWEDEN AND PORTUGAL," SAYS A CENTRAL BANKER. COMMERCIAL BANKS EAGERLY WELCOME THE STABLE AND LONG-PROSPEROUS SCANDINAVIAN COUNTRIES AS BORROWERS, ONE ANALYST OBSERVES, PARTLY BECAUSE THEIR SMALL SIZES MEAN THAT THE "COUNTRY RISK" IS MINIMAL FOR ANY ONE OF THE SCORES OF INTERESTED BANKS.

11. SOME MEDITERRANEAN MEMBERS FIND COMMERCIAL BANKS VERY WARY, THOUGH. WHILE GREECE IS SAID TO HAVE NO LACK OF EAGER LENDERS, TURKEY IS RUNNING DESPERATELY LOW OF HARD CASH FOR PAYING FOREIGN SUPPLIERS. SPAIN'S RAPID INFLATION IS A CREDIT HANDICAP, AND PORTUGAL'S PLIGHT IS UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 146090 TOSEC 070022

SO SEVERE THAT CENTRAL BANKS ARE UNDERSTOOD TO HAVE SECRETLY SHORED UP ITS FLEDGLING DEMOCRACY WITH \$1.25 BILLION WHILE THE U.S. STRUGGLES TO LINE UP DIRECT GOVERNMENTAL CREDITS.

12. ON THE MEETING'S EVE IN PARIS, A U.S. STATE DEPARTMENT SPOKESMAN SAID THAT ADDITIONALLY, 11 COUNTRIES EXPRESSED THE INTENT TO TAKE PART IN A \$750 MILLION CREDIT PACKAGE THAT "SHOULD INSURE THAT PORTUGAL'S BALANCE OF PAYMENTS NEEDS WILL BE MET DURING THE NEXT 18 MONTHS."

13. THE U.S. HAS PROMISED \$350 MILLION AND WEST GERMANY \$200 MILLION, WITH THE REST COMING FROM FRANCE, ITALY, JAPAN, THE NETHERLANDS, NORWAY, SWEDEN, SWITZERLAND, BRITAIN AND VENEZUELA. AUSTRIA, CANADA AND IRELAND WERE REPORTED TO HAVE A ROLE UNDER "ACTIVE CONSIDERATION," ACCORDING TO PAUL BOEKER, A U.S. DEPUTY ASSISTANT SECRETARY OF STATE.

14. THE PARTICIPATING COUNTRIES SAID THE VARIETY OF CREDITS, SOME OF WHICH INVOLVE IMPORT AND PROJECT FINANCE, IS "IMPORTANT FOR THE FUTURE PROGRESS OF PORTUGAL'S DEMOCRACY."

15. DESPITE THE GREAT DIFFERENCES AMONG THEM, THE SMALLER INDUSTRIAL ECONOMIES DO SHARE SOME COMMON REASONS FOR THEIR FINANCIAL BINDS, EUROPEAN ECONOMISTS SAY. SIMPLY BECAUSE THEY ARE SMALL, EFFICIENCY REQUIRES LARGE SHARES OF THEIR PRODUCTION TO BE EXPORTED. BUT EACH TYPICALLY HAS A LIMITED RANGE OF EXPORTS, AND THUS CAN'T SWITCH TO SELLING MACHINE TOOLS IF DEMAND FOR SAY, ORANGES, FALLS OFF, EXPLAINS UNCLASSIFIED

UNCLASSIFIED

PAGE 05 STATE 146090 TOSEC 070022

A PARIS ANALYST.

16. MOST ALSO HAVE GEARED THEMSELVES TO RAPIDLY EXPANDING WORLD MARKETS AND HAVE ALLOWED THEIR COSTS TO CLIMB SWIFTLY, OTHERS SAY. "WE HAVE BEEN A LITTLE TOO OPTIMISTIC IN SWEDEN," CONCEDES AXEL IVEROTH, CHAIRMAN OF THE INTERNATIONAL COUNCIL OF SWEDISH INDUSTRY. WAGE AND SOCIAL WELFARE BUDGET COSTS HAVE BECOME TOO HIGH, AND TOO LITTLE HAS BEEN SPENT ON RESEARCH AND DEVELOPMENT OF NEW PRODUCTS, HE WORRIES. OTHER SMALL COUNTRY SPOKESMEN SAY THEIR BUSINESSES HAVEN'T PUT AS MUCH EMPHASIS ON MARKETING AS THOSE IN LARGE COUNTRIES.

17. GENERALLY, TOO, OFFICIALS SAY THE SMALLER COUNTRY GOVERNMENTS FIND IT POLITICALLY TRICKY TO ADJUST TO LESS BUOYANT EXPORTS BY CURBING CONSUMER SPENDING. IN THE RICHER ONES, WORKERS HAVE COME TO TAKE THEIR LOFTY LIVING STANDARDS VERY MUCH FOR GRANTED. IN THE LESS DEVELOPED OF THE DEVELOPED COUNTRIES, "THERE ISN'T MUCH MARGIN FOR SQUEEZING PEOPLE WITHOUT GETTING A REVOLUTION," WARNS AN INTERNATIONAL ECONOMIST.
END TEXT. CHRISTOPHER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOSEC, PRESS COMMENTS, ECONOMIC DEVELOPMENT, MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 23-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE146090
Document Source: CORE
Document Unique ID: 00
Drafter: REBUTLER:REB
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770224-1216
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770626/aaaaawoj.tel
Line Count: 197
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3a01cf77-c288-dd11-92da-001cc4696bcc
Office: ORIGIN PA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2055466
Secure: OPEN
Status: NATIVE
Subject: PRESS MATERIAL
TAGS: SOPN, OVIP, US, WALL STREET JOURNAL, OECD, (VANCE, CYRUS R), (JANSSEN, RICHARD F)
To: SECRETARY
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/3a01cf77-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009